

## Message Text

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ACTION IO-14

INFO OCT-01 CIAE-00 CU-05 INR-11 NSAE-00 RSC-01 USIA-15

AF-10 ARA-16 EA-11 EUR-25 NEA-14 ISO-00 ABF-01 TRSE-00

OMB-01 L-03 DRC-01 /129 W

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NESCO

E.O.11652: N/A

TAGS: AORG, OCON, UNESCO

SUBJECT: UNESCO 95TH EXBD: ITEM 5.1 - FINAL EXAMINATION

OF BUDGET PROVISIONS FOR 1975-1976

1. WORKING GROUP TO EXAMINE SUBJECT MATTER NOW SCHEDULED TO BEGIN ON OPENING DAY OF EXBD SESSION (SEPT 18) WITH FIRST OBJECTIVE OF DECIDING WHETHER, HOW MUCH AND BY WHAT METHOD -- STRAIGHT PERCENTAGE REDUCTION OR ITEM BY ITEM -- ECONOMIES COULD BE REALIZED. MEETING THEREAFTER FOR ONE HOUR PER DAY BEFORE BOARD SESSIONS, WG WILL HOPE TO MAKE CONSENSUS REPORT TO EXBD PLENARY SESSION ON OCTOBER 14.

2. HOWEVER, TO JUDGE FROM PRESENT INDICATIONS, ANY ECONOMIES WILL BE OF VERY RELATIVE NATURE IN VIEW FAIR BUT STRONG LDC REPRESENTATION ON WG, ESPECIALLY PRESENCE OF ALGERIAN, AND APPARENT READINESS OF ALL OTHER GENEVA GROUP COUNTRIES, REPRESENTED BY UK MEMBER, TO ACCEPT \$155 MILLION BUDGET LEVEL PRESENTED IN 18 C/5. INDEED THIS FIGURE CALCULATED ON BASIS OF HIGH 5.10 FF EXCHANGE LEVEL FOR DOLLAR AND LOW 8 PER CENT ANNUAL INFLATION WHEREAS DG TOLD 94 EXBD THAT 4.80 IF EXCHANGE RATE AND LIMITED OFFICIAL USE

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EFFECTS OF ACTUAL 12 PER CENT INFLATIONARY RATE WOULD

ENTAIL AN ADDITIONAL \$15 MILLION TO MEET 18 C/5 PROGRAM NEEDS.

3. BARRING DRAMATIC IMPROVEMENT OF INFLATIONARY TRENDS AND DOLLAR EXCHANGE, CORE OF DEBATE LIKELY TO BE HOW CLOSE LINE CAN BE HELD BELOW \$170 MILLION "HIGH." LDC AGREEMENT TO A FIGURE AT OR NOT TOO FAR ABOVE \$155 MILLION "LOW" WOULD BE A CLEAR, IF RELATIVE, VICTORY FOR THE ECONOMY-MINDED BIG DONORS.

4. IMPORTANT FACTOR WILL BE BOARD MEMBERS AWARENESS OF M'BOW ELECTION AS NEW DG AND RESULTANT RELUCTANCE TO IMPOSE ON HIM A HAM-STRINGING "AUSTERITY" BUDGET BASED ON ANYTHING LESS THAN 18 C/5. IN VIEW LDC VOTES AND APPARENT WILLINGNESS OF BIG DONORS TO ACCEPT \$155 MILLION -- AS WELL AS SOVIET BLOC'S INITIAL BUDGETARY HARDLINE STANCE THAT LIKELY TO FADE TO SILENT ACQUIESCENCE IN FINAL VOTE -- ANY EFFORT BY US TO GAIN REDUCTION IN 18 C/5 \$155 MILLION BUDGET OR IN BASIC PROGRAM GROWTH RATE OF 5.9 PER CENT WOULD BE ISOLATED AS WELL AS UNSUCCESSFUL.

5. OTHER GG MEMBERS AGREED INFORMALLY TO PERMDEL SUGGESTION IN JUNE THAT GG FORM OWN CONSULTATIVE WG TO KEEP ABREAST OF BOARD WG PROGRESS AND FUNNEL GG CONSENSUS THROUGH UK MEMBER.

6. PERMDEL WOULD RECOMMEND US WORK WITH, AND THEREBY RETAIN LEVERAGE IN SHAPING, GG CONSENSUS SEEKING BUDGET FIGURE AT OR NOT TOO FAR ABOVE \$155 MILLION. ONLY ECONOMIES TOWARDS GOAL OF HOLDING BUDGET AT \$155 MILLION THAT EXBD MIGHT ULTIMATELY APPROVE WILL BE IN ADMINISTRATIVE AND SUPPORTING SERVICES AREA (E.G. THE PROPOSED LEASING OF A NEW IBM COMPUTER) THAT DO NOT CUT PROGRAM GROWTH.

7. PERMDEL WOULD SPECIFICALLY URGE THAT, AS WAS DONE AT LAST FALL'S SESSION, A BUDGETARY SPECIALIST BE SENT FROM DEPARTMENT TO ATTEND F & A SESSIONS AND MONITOR WG PROGRESS WITH ASSISTANCE OF DELOFF ASSIGNED TO F & A. LIMITED OFFICIAL USE

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STONE

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## Message Attributes

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